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 FM THE SITUATION ROOM//TOHAK 25//
 TO GOMPERT/ADAMS FOR THE SECRETARY
 UNCLAS VIA BLACK PATCH WH50962

TOHAK 25

MAY 28, 1975

MEMORANDUM FOR SECRETARY KISSINGER
 FROM: THE SITUATION ROOM
 SUBJECT: MORNING NEWS SUMMARY

THE WASHINGTON POST

JAMES ROWE SAYS THAT THE U.S. RECORDED ITS THIRD CONSECUTIVE MONTHLY BALANCE OF TRADE SURPLUS IN APRIL, BUT A SHARP \$1 BILLION RISE IN OIL IMPORTS SUBSTANTIALLY REDUCED THE SURPLUS.

(A-1)

LEWIS SIMONS REPORTS THAT THE U.S. REACHED AGREEMENT WITH THE GOVERNMENT OF LAOS AND A BAND OF PROCOMMUNIST YOUTHS TO DISSOLVE THE AID IN THE COUNTRY AND BREAK A WEEK-LONG SIEGE OF THE AGENCY'S HEADQUARTERS. THE AGREEMENT GIVES AID UNTIL JUNE 30 TO WITHDRAW ALL ITS REMAINING AMERICAN AND FOREIGN EMPLOYEES AND TURN OVER ALL AID PROPERTY TO THE COMMUNIST PATHET LAO-DOMINATED GOVERNMENT. (A-1)

BERNARD NOSSITER OUTLINES YOUR NEW FORMULA AIMED AT WINNING THE OIL PRODUCERS BACK TO THE BARGAINING TABLE WITH THEIR BIGGEST CUSTOMERS. (A-1)

THE SUPREME COURT REFUSED YESTERDAY TO REVIEW A LOWER COURT DECISION SUSTAINING BROAD POWERS OF THE CIA TO SUPPRESS THE WRITINGS OF FORMER EMPLOYEES ABOUT WHAT THEY LEARNED AS CIA AGENTS. (A-9)

TERRY SHAW WRITES THAT SUPPORTERS OF A NEW PANAMA CANAL TREATY HAVE RAISED THE SPECTER OF A VIETNAM-TYPE CONFLICT IF A REVISED AGREEMENT ON THE CANAL IS NOT REACHED SOON BETWEEN THE U.S. AND PANAMA. FACED WITH TOUGH OPPOSITION, OFFICIALS AND OTHERS HAVE STEPPED UP THEIR LOBBYING EFFORTS ON BEHALF OF A NEW TREATY, NOW IN THE FINAL STAGES OF NEGOTIATION. U.S. NEGOTIATOR ELLSWORTH BUNKER LAST WEEK STRESSED THE NEED FOR

***** WWSR COMMENT *****

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"A NEW -- A MORE MODERN -- RELATIONSHIP" BETWEEN PANAMA AND THE U.S. IF SUCH A RELATIONSHIP IS NOT WORKED OUT, BUNKER SAID, "WE WOULD LIKELY FIND OURSELVES ENGAGED IN HOSTILITIES WITH AN OTHERWISE FRIENDLY COUNTRY, A CONFLICT THAT, IN MY VIEW, THE AMERICAN PEOPLE WOULD NOT LONG ACCEPT." (A-10)
YOU WERE SURPRISED WITH AN ELABORATE CAKE TOPPED WITH 52 RED, WHITE, AND BLUE CANDLES TO HONOR YOUR BIRTHDAY WHEN YOU CAME TO BREAKFAST WITH PRESIDENT VALERY GISCARD D'ESTAING AT THE ELYSEE PALACE YESTERDAY. YOU BEAMINGLY BLEW OUT THE CANDLES WITH A LONG, HEFTY PUFF. YOUR PICTURE ACCOMPANIES THE ARTICLE. (A-14)

ISRAEL PRIME MINISTER RABIN SAID YESTERDAY THAT KING HUSAYN OF JORDAN TURNED DOWN PROPOSALS LATE LAST YEAR FOR A FINAL PEACE SETTLEMENT ON THEIR COMMON FRONTIER. RABIN TOLD A JERUSALEM MEETING OF HIS POLITICAL PARTY THAT ISRAEL MADE THE PEACE PROPOSALS BEFORE LAST OCTOBER'S ARAB SUMMIT CONFERENCE AT RABAT, MOROCCO. (A-15)

THE SOVIET COMMUNIST PARTY NEWSPAPER, PRAVDA, DENOUNCED REPORTS THAT THE SOVIET UNION HAD AGREED TO A \$4 BILLION WEAPONS DEAL WITH LIBYA IN EXCHANGE FOR SOVIET BASES THERE. PRAVDA DID NOT SAY WHETHER A DEAL OF ANY SIZE HAD BEEN REACHED. (A-15)
AN EDITORIAL SAYS THAT PRESIDENT FORD HAS RAISED THE TAX ON IMPORTED OIL BECAUSE IT IS, IN TRUTH, ALMOST THE ONLY WEAPON AVAILABLE TO HIM. THERE ARE BETTER STRATEGIES, BUT THEY CANNOT BE PURSUED WITHOUT LEGISLATION BY CONGRESS. THE WHOLE IDEA OF ESCALATING THE TARIFF, AS MR. FORD FIRST ANNOUNCED IT LAST JANUARY IN HIS STATE OF THE UNION MESSAGE, WAS TO FORCE CONGRESS FORWARD TO PASS THE MUCH MORE COMPLICATED ENERGY PROGRAM THAT HE BROUGHT OUT THEN. BUT NOW THE OTHER ASPECTS OF MR. FORD'S ORIGINAL PROGRAM ARE BEGINNING TO FADE FROM VIEW. THE INTERIM DEVICE IS THE ONLY ONE GOING INTO EFFECT, AND IT IS SIMPLY A DEVICE TO DISCOURAGE IMPORTED OIL BY MAKING IT MORE EXPENSIVE. FORD'S ACTION CAN BE JUSTIFIED ONLY AS A SHORT-TERM EMERGENCY MEASURE. A CONFUSED AND DIVIDED CONGRESS IS EVIDENTLY WILLING TO LET THE PRESIDENT TAKE THE ACTION -- AND THE BLAME. BUT IF THIS COUNTRY CANNOT PULL ITSELF TOGETHER AROUND ANY RESPONSE EXCEPT STEADILY ESCALATING TARIFFS, THAT POLITICAL FAILURE OF INSPIRATION ON THE PART OF CONGRESS WILL ONLY AMPLIFY THE UNWHOLESOME ECONOMIC EFFECTS OF INDISCRIMINATE AND CONTINUOUS PRICE INCREASES. (A-18)

ON NATO, THE POST SAYS THAT THE SUMMIT CAN FOCUS BUREAUCRATIC AND PUBLIC ATTENTION ON THE CENTERPIECE OF AMERICAN FOREIGN POLICY, OUR RELATIONSHIP WITH THE NATIONS WITH WHICH WE ARE CLOSEST IN FAMILIAR FEELING, TRADITION, COMMITMENT, AND COMMON PURPOSE. MR. FORD WILL BE ABLE TO POINT TO SUCH FRESH AND MEANINGFUL SIGNS OF AMERICAN STEADFASTNESS AS LAST WEEK'S HOUSE VOTES AGAINST CUTTING EITHER AMERICAN FORCES OVERSEAS OR WEAPONS PROCUREMENT. THOUGHTFUL EUROPEANS ARE LIKELY TO

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BE A LOT MORE IMPRESSED BY THIS EVIDENCE OF CONGRESSIONAL CONCERN FOR EUROPE THAN BY THE ADMINISTRATION'S RECENT AND FLIMSY ARGUMENT THAT ITS RESPONSE TO THE SEIZURE OF THE MAYAGUEZ WOULD SOMEHOW STILL EUROPEAN DOUBTS ABOUT AMERICAN "WILL." (A-18)

THE BALTIMORE SUN

HENRY TREWHITT REPORTS THAT PRESIDENT FORD LEAVES TODAY FOR A VENTURE IN EUROPEAN DIPLOMACY WHICH WILL HELP SHAPE THE MILITARY AND DIPLOMATIC POSTURE OF THE WEST FOR YEARS. NO SPECIFIC, DRAMATIC ANNOUNCEMENTS ARE EXPECTED FROM HIS WEEK IN FOUR COUNTRIES, BUT MR. FORD HOPES TO CONVINCE OTHER LEADERS OF THE NATO, DURING TWO DAYS IN BRUSSELS, THAT THE U.S.'S COMMITMENT REMAINS ABSOLUTE DESPITE REVERSES IN SOUTH-EAST ASIA. IN ADDITION, HE WILL SEARCH FOR PROGRESS IN THE MIDDLE EAST DURING TWO DAYS OF CONVERSATIONS WITH PRESIDENT SADAT OF EGYPT AT SALZBURG, AUSTRIA. (A-1)

A PROFOUND SENSE OF UNCERTAINTY AND UNEASINESS ABOUT THE FUTURE HAS GRIPPED THE ISLAND OF TAIWAN IN THE WAKE OF THE RECENT COMMUNIST VICTORIES IN INDOCHINA AND THE ILL-TIMED DEATH OF TAIWAN'S LATE PRESIDENT CHIANG KAI-SHEK. THE TWO GREAT BLOWS, FALLING IN RAPID SUCCESSION THIS SPRING, HAVE LEFT MANY OF THE ISLAND'S 14 MILLION INHABITANTS WONDERING IF TAIWAN MAY BE THE NEXT ASIAN DOMINO TO FALL. (A-1)

YOU YESTERDAY REPORTED "SUBSTANTIAL SUPPORT" FOR THE U.S.'S NEW INITIATIVE TO REOPEN THE OIL CONSUMER-PRODUCER DIALOGUE, BUT FAILED TO WIN THE FORMAL BACKING OF MAJOR CONSUMING NATIONS. THE 18 MEMBERS OF THE IEA SETTLED INSTEAD FOR ENDORSING THEIR OWN BROAD CHARTER PRINCIPLE OF FOSTERING DIALOGUE WITHOUT SPECIFICALLY MENTIONING YOUR PROPOSALS. YOUR PICTURE ACCOMPANIES THE ARTICLE. (A-1)

YOU ARE SHOWN MEETING THE PRESS OUTSIDE ELYSEE PALACE IN PARIS.
(A-5)

PORTUGAL'S RULING MILITARY COMMITTEE CRITICIZED THE TACTICS OF THE SOCIALIST PARTY YESTERDAY IN ITS FIGHT AGAINST THE GROWING POWER OF THE COMMUNISTS AND CALLED FOR A QUICK END TO THE POLITICAL CRISIS. (A-7)

LEADERS FROM 15 WEST AFRICAN NATIONS OPENED A SUMMIT MEETING YESTERDAY TO FORM THEIR OWN COMMON MARKET. GENERAL GOWON, THE NIGERIAN HEAD OF STATE, SAID THE MARKET HAD THE POTENTIAL TO BRING "PROGRESS, PROSPERITY, AND WELL-BEING TO ALL OUR PEOPLES." ALL THE LEADERS ARE EXPECTED TO SIGN THE TREATY OF LAGOS TODAY, GIVING BIRTH TO THE ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS). (A-7)

THE LEAD EDITORIAL SAYS THAT WHEN SOUTH VIETNAM WAS DIS-INTEGRATING, THE BRITISH PROPOSED A NATO SUMMIT MEETING SO THAT EUROPEANS AND AMERICANS TOGETHER COULD DEMONSTRATE THEIR RENewed FAITH IN THE AMERICAN COMMITMENT TO WESTERN EUROPE'S

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DEFENSE. PRESIDENT FORD WILL DULY JOIN OTHER HEADS OF GOVERNMENT IN BRUSSELS TOMORROW AND FRIDAY FOR THE EXERCISE. AT THE RHETORICAL LEVEL, THE ROUND ROBIN OF MEETINGS IS BOUND TO BE SUCCESSFUL. AMERICAN POLICIES OF DECADES' STANDING WILL BE RESTATED, AND FAITH WILL BE SWORN IN THEM. BUT NATO HAS OTHER PROBLEMS. THE EUROPEANS ARE MORE CONCERNED FOR THEIR SECURITY NOW. THEY FEAR THAT PORTUGAL MAY GO COMMUNIST WITHOUT A MURMUR WHILE A SECURITY CONFERENCE LEGITIMIZES SOVIET SATELLITES IN EASTERN EUROPE FOR ETERNITY. THE PORTUGAL DILEMMA HAS TURNED MILITARY EYES TO SPAIN, A NON-MEMBER WHERE THE U.S. HAS FORMIDABLE BASES WITH LEASES UP FOR RENEWAL. DEFENSE SECRETARY SCHLESINGER EXTOLLED THEIR IMPORTANCE AT THE NATO DEFENSE MINISTERS MEETING. IT IS ON THIS WHOLE ARRAY OF PRACTICAL PROBLEMS, AND NOT THE SLOGANS OF UNITY, THAT THE STRENGTH AND COHESIVENESS OF THE NORTH ATLANTIC ALLIANCE WILL BE JUDGED. IN THE WORDS OF THE ECONOMIST, "A EUROPE THAT NEEDS AMERICA AS MUCH AS IT EVER DID CAN DO SOMETHING TO HELP." (A-14) A SECOND EDITORIAL STATES THAT JAPAN'S POST-VIETNAM WORLD IS LIKELY TO CONTINUE TO CENTER ABOUT THE U.S. DESPITE SOME INEVITABLE STRAINS. DESPITE SOME PUBLIC RHETORIC TO THE CONTRARY, BOTH THE CHINESE AND THE SOVIETS ARE LIKELY TO GO ON TOLERATING STRONG JAPANESE-AMERICAN TIES FOR THEY KNOW AN END TO THE CLOSE DEFENSE RELATIONSHIP WOULD MEAN AN ALMOST CERTAIN END TO MAJOR AMERICAN PRESENCE IN ASIA. THAT WOULD MEAN, IN TURN, AN END TO THE LEAVENING THE AMERICANS CAN PROVIDE TO THE GROWING SINO-SOVIET RIVALRY THROUGHOUT THE REGION. (A-14)

THE NEW YORK TIMES

FLORA LEWIS REPORTS THAT EUROPEANS ARE AWAITING PRESIDENT FORD'S FIRST OFFICIAL TRIP THERE WITH BEWILDERMENT AND UNCERTAINTY. THE PRESIDENT'S IMAGE SO FAR IS A BLUR, AN UNKNOWN AND UNFOCUSED QUANTITY. AND YOUR FUTURE IS UNCLEAR. IN SHORT, EUROPEANS ARE UNCERTAIN JUST WHAT AMERICAN POLICY FOR EUROPE IS NOW. (1) CHRISTOPHER WREN WRITES THAT THE SOVIET UNION HAS DENIED REPORTS IN THE EGYPTIAN PRESS THAT IT HAD SIGNED AN AGREEMENT PROVIDING FOR SOVIET NAVAL AND AIR BASES IN LIBYA. HOWEVER, IT DID NOT SPECIFICALLY DENY REPORTS FROM CAIRO THAT MOSCOW HAD AGREED TO SUPPLY NEW SOVIET WEAPONRY TO THE LIBYANS, THOUGH IT RIDICULED AN ESTIMATE OF \$12 BILLION AS "QUITE A STATEMENT." (2)

HENRY GINIGER REPORTS FROM LISBON THAT MR. SOARES, WHO IS MINISTER WITHOUT PORTFOLIO IN AN INCREASINGLY SHAKY COALITION, HAS CONFERRED WITH PARTY LEADERS AFTER HIS RETURN FROM FRANCE ON WHETHER TO CONTINUE IN THE GOVERNMENT AFTER WHAT APPEARED TO BE A REFUSAL BY THE MILITARY TO MAKE CONCESSIONS TO HIM. (3) A SPECIAL TO THE TIMES RELATES THE STATE DEPARTMENT'S STATEMENT OF REGRET CONCERNING THE INCURSIONS OF ISRAELI ARMED FORCES

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INTO LEBANESE TERRITORY "AT A TIME WHEN LEBANON IS BESET BY INTERNAL TENSIONS." THERE WAS NO SPECIFIC MENTION OF ISRAEL BUT A HIGH-RANKING STATE DEPARTMENT OFFICIAL SAID THE STATEMENT WAS MEANT TO CAUTION THE ISRAELI GOVERNMENT. (4)

CRAIG WHITNEY WRITES FROM BONN THAT CHANCELLOR HELMUT SCHMIDT WOULD OPPOSE ANY EFFORTS BY THE U.S. TO PRESS FOR A CLOSER ASSOCIATION BETWEEN SPAIN AND THE NATO AT THE ALLIANCE MEETING THIS WEEK IN BRUSSELS. MR. SCHMIDT IS MORE CONCERNED ABOUT THE ECONOMIC DANGERS THAT FACE THE WESTERN COUNTRIES, AND HE WILL PRESS FOR A CLOSE COORDINATION OF AMERICAN AND EUROPEAN ECONOMIC POLICIES. (11)

PHILIP SHABECOFF WRITES THAT ON THE EVE OF PRESIDENT FORD'S WEEK-LONG TRIP TO EUROPE, WHITE HOUSE ADVISERS ARE SAYING THE PRESIDENT IS REDUCING HIS RELIANCE ON YOU AND ASSUMING INCREASING COMMAND OVER HIS OWN FOREIGN POLICY. THE ADVISERS SAID THE PRESIDENT RETAINED FULL CONFIDENCE IN YOU AND GENERALLY SHARED YOUR VIEWS ON DIPLOMACY. RECENT INTERVIEWS WITH WHITE HOUSE AND OTHER ADMINISTRATION OFFICIALS INDICATE THAT MR. FORD IS DETERMINED TO PUT HIS OWN STAMP ON FOREIGN POLICY AND HAS SUBSTANTIALLY BROADENED HIS CIRCLE OF FOREIGN POLICY ADVISERS. FULL TEXT TO FOLLOW. (35)

THE TIMES NOTES THAT THE GRAND CONCLAVE OF THE INDUSTRIAL NATIONS, MEETING IN PARIS THIS WEEK TO COORDINATE ECONOMIC POLICY, OFFERS THE U.S. AN OPPORTUNITY TO PROVIDE MUCH-NEEDED LEADERSHIP FOR BETTER RELATIONS WITH THE WORLD'S INCREASINGLY RADICALIZED DEVELOPING COUNTRIES. YOU TOOK AN IMPORTANT PROCEDURAL STEP YESTERDAY IN OFFERING TO SET UP NEW COMMISSIONS OF RICH AND POOR COUNTRIES TO DISCUSS THE PROBLEMS OF RAW MATERIALS. BUT THE INDUSTRIAL COUNTRIES MUST FIRST COME TOGETHER ON SUBSTANTIVE PROPOSALS. THE CENTRAL ISSUE NOW IS WHAT THE THIRD WORLD'S RAW MATERIAL PRODUCERS AS A WHOLE WILL DO IN RESPONSE. (36)

ANOTHER EDITORIAL NOTES THAT THE DEVELOPING COUNTRIES NEED HUGE INVESTMENT TO ACHIEVE INCREASING INCOME, YET WANT TO INHIBIT PRIVATE FOREIGN CAPITAL. THE INDUSTRIAL NATIONS WANT ASSURED SUPPLIES ON A STEADILY INCREASING SCALE. THE TIMES CONCLUDES THAT WHAT IS REQUIRED IS A PLAN TO RAISE CAPITAL MULTILATERALLY THROUGH NEW WORLD BANK METHODS AND OTHER IMAGINATIVE INTERNATIONAL SCHEMES THAT WOULD REDUCE INTEREST RATES AND THE RISK OF NATIONALIZATION. (36)

THE TIMES ASSERTS THAT THE FORD ADMINISTRATION IS OUT OF STEP WITH ITS ALLIES ON THE IBERIAN PENINSULA. MOST NATO MEMBERS WERE DISMAYED AT PRESIDENT FORD'S BADLY DISGUISED THREAT TO EXPEL PORTUGAL FROM THE ALLIANCE IN HIS RECENT INTERVIEW WITH EUROPEAN JOURNALISTS. MOST REGRET HIS DECISION TO VISIT GENERAL FRANCO IN MADRID AFTER HE ATTENDS THE NATO SUMMIT IN BRUSSELS. THE EUROPEAN ALLIES RIGHTLY BELIEVE THAT THE BEST CHANCE FOR ARRESTING THAT LEFTWARD SLIDE AND FOR BOLSTERING MILITARY MODERATES AND CIVILIAN DEMOCRATS LIES IN GIVING LISBON EVERY

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POSSIBLE ENCOURAGEMENT AND INCENTIVE TO STAY IN NATO AND TO EXPAND ITS LINKS WITH THE COMMON MARKET -- RATHER THAN THREATENING TO EXPEL THE PORTUGUESE. AND THE ALLIES FEAR, THAT BY FAWNING ON FRANCO, WASHINGTON IS GIVING LASTING OFFENSE TO SPANISH DEMOCRATS AND TRADING SHORT-RUN GAINS -- A NEW AGREEMENT ON BASES -- FOR MAJOR TROUBLE WITH THOSE WHO WILL GOVERN SPAIN AFTER THE GENERALISSIMO IS GONE. (36)

C.L. SULZBERGER MARVELS HOW WEST GERMANY HAS MANAGED TO SURMOUNT THE CRISES OF INFLATION, RECESSION, AND ENERGY SHORTAGES BETTER THAN ANY OTHER INDUSTRIALIZED COUNTRY. HELMUT SCHMIDT BELIEVES WEST GERMANY'S "SECRET WEAPONS" HAVE BEEN WISE LABOR-CAPITAL RELATIONS AND AN AWARENESS OF A NATIONAL COMMUNITY OF INTEREST. (37)

JAMES RESTON WRITES THAT IT IS NATURAL THAT PRESIDENT FORD WANTS TO ESTABLISH HIMSELF AS A LEADER IN THE FIELD OF FOREIGN AFFAIRS. HE IS STARTING HIS CAMPAIGN FOR THE PRESIDENTIAL ELECTION OF 1976, AND IT IS AN UNWRITTEN LAW OF POLITICS THAT ALL CANDIDATES BEGIN CAMPAIGNING ABROAD; BUT THERE IS SOMETHING BACKSIDE-FORWARDS ABOUT THIS PROCEDURE AND SOMETHING WRONG WITH THE PRESENT APOLOGETIC TONE OF AMERICAN FOREIGN POLICY. THE PRESIDENT IS GETTING ON-THE-JOB TRAINING IN EUROPE, AND NO DOUBT HIS REASSURANCES ALL AROUND WILL BE WELL-RECEIVED, BUT AT SOME POINT HE WILL HAVE TO MAKE CLEAR AT HOME AS WELL AS ABROAD WHERE HIS PRIORITIES ARE, AND WHERE HE AND THE CONGRESS ARE GOING TO PUT THE PEOPLE'S MONEY. (37)

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